





Annual Report 1974

527-3671

Financial Highlights	1974	1973
Sales	\$ 76,397,000	\$ 60,914,000
Net Earnings	\$ 3,535,000	\$ 2,219,000
Net Earnings per Common Share		
Before Extraordinary Items	\$ 3.45	\$ 2.34
Including Extraordinary Items	\$ 3.72	\$ 2.34
Dividends Declared — Per Common Share	\$.57	\$.45
Capital Expenditures	\$ 4,775,000	\$ 1,402,000
Depreciation & Depletion	\$ 982,000	\$ 905,000
Working Capital — Year End	\$ 16,025,175	\$ 9,778,622

The Annual Meeting will be held at the Head Office of the Corporation, 605 James Street North, Hamilton, Ontario on Thursday, March 20, 1975 at 10:00 a.m.



**Directors,
Executive Officers
and Other Executives**

Directors

H. M. Griffith, Toronto, Ontario
D. H. Henderson, Hamilton, Ontario
T. E. Ladner, Q.C., Vancouver, British Columbia
J. Laird, Worksop, Notts, England
C. W. Lewis, Q.C., Toronto, Ontario
N. M. Peech, Worksop, Notts, England
H. Smith, London, England
J. S. Spearing, F.C.A., Hamilton, Ontario

Executive Officers

N. M. Peech, Chairman of the Board
J. Laird, Vice-Chairman of the Board
J. S. Spearing, F.C.A., President
H. E. Baker, F.C.A., Secretary-Treasurer

Other Executives

MINERALS GROUP

CANADA CRUSHED STONE & QUEENSTON QUARRIES

A. J. DeMarchi, Vice-President — Operations
R. M. Lennie, Vice-President — Sales

DISTRIBUTION GROUP

G. G. Dunnigan, B.A., M.B.A.,
Vice-President — Distribution Group

VALLANCE BROWN & CO. LIMITED

NORTHERN CANADA SUPPLY, LIMITED

P. S. Pratt, Vice-President & General Manager

FLECK BROS. LIMITED

GOUGH & COMPANY LTD.

J. W. Miller, P. Eng., Executive Vice-President

MILLS STEEL PRODUCTS LIMITED

P. G. Allanson, Vice-President & General Manager

Corporate Information

Head Office Harbour Administration Building
Hamilton, Ontario.

Divisions Canada Crushed Stone — Dundas Quarry
Produces high grade dolomite stone for metallurgical, agricultural and commercial uses.
Queenston Quarries — Niagara Falls, Ontario
Produces commercial crushed stone, "Queenston Limestone" building stone, and asphaltic concrete.

Subsidiary Companies ~~Vallance Brown & Co. Limited — Hamilton, Ontario~~
Distributes industrial, safety and electrical supplies in Southern Ontario. A steel service centre serves Toronto and the Niagara Peninsula.
Northern Canada Supply, Limited — Oshawa, Ontario
Distributes industrial supplies in Northeastern and South-eastern Ontario and Northwestern Quebec.
Fleck Bros. Limited — Vancouver, British Columbia
Distributes industrial, and safety supplies in British Columbia, Alberta and The Yukon.
Gough & Company Ltd. — Vancouver, British Columbia
Distributes electrical supplies in British Columbia and The Yukon.
Mills Steel Products Limited — Hamilton, Ontario
Manufactures concrete forming hardware, scaffolding, and shores.
Ritchie Cut Stone Holdings Limited — Hamilton, Ontario
An investment holding company.

Associated Company National Slag Limited — Hamilton, Ontario
Processes blast furnace slag into aggregates for road construction and civil engineering.

Registrar and Transfer Agents National Trust Company Limited — Toronto, Ontario

Auditors Coopers & Lybrand

Steetley Industries Limited

Directors' Report

To the Shareholders of
Steetley Industries Limited

Your Board of Directors takes pleasure in submitting the Twenty-fourth Annual Report of the Company, together with the Consolidated Balance Sheet, accompanying financial statements for the year ended December 31, 1974 and the auditors' report to the Shareholders.

FINANCIAL

The decision made in 1968 to concentrate Steetley's future growth basically in two Groups — Minerals and Distribution, has made a major impact on Steetley's performance since that time. As a matter of record, the growth rate in net earnings since 1967 is approximately 30% per annum compounded.

1974 has been another year of real growth, increased to some degree by inflation, resulting in record earnings for the fifth successive year.

Sales rose by 25% to \$76,396,858 in 1974 from \$60,913,673 in 1973. Earnings from operations increased by 56% to \$6,433,550 from \$4,119,046 last year.

Net earnings after income taxes and minority shareholders' interest and before extraordinary items were \$3,272,842 compared with \$2,219,570 last year. Extraordinary income this year of \$262,269 brought the final net earnings for the year to \$3,535,111. Earnings per share rose correspondingly to \$3.45 from \$2.34 in 1973 with total earnings of \$3.72 per share this year after extraordinary items.

We received an increased dividend from National Slag Limited in which your Company has a one-third interest.

Interest rates, both long and short term, rose to record highs in 1974 and the money supply was tight. Your Board of Directors deemed it prudent, therefore, to ensure funds for long-term growth, and in this regard the Company issued \$8,000,000, 12%, Sinking Fund, Twenty-Year Debentures, by private placement on December 30, 1974. These funds were used initially to pay off existing long-term bank loans and to reduce bank operating loans. In addition, we have a substantial line of credit arranged with our bankers.

The Balance Sheet reflects a strong financial position — working capital increased by \$6,246,553 to over \$16,000,000. Shareholders' Equity rose to \$16,257,488, reflecting a book value of \$17.11 per share (1973 — \$13.96 per share).

OPERATIONS

Canada Crushed Stone and Queenston Quarries

Stone tonnages reached high levels in 1974 with total shipments exceeding 3,600,000 tons, resulting in improved earnings.

Sales of asphalt mixes attained 200,000 tons for the first time and shipments of processed dried dolomite for the glass, auto, and fertilizer industries reached a new high.

We are constantly working to improve daily production and upgrade the quality of our products. The new secondary crushing and screening plant at the Canada Crushed Stone quarry, located on #5 Highway in West Flamborough Township, came on line in the middle of January 1975. Apart from the initial running-in problems, it is fully operational and performing as expected. This modern plant utilizing the most up-to-date machinery and techniques puts this division in an excellent position for future tonnage growth.

Industrial and Electrical Products Distribution

The Distribution Group enjoyed an outstanding year with all four companies contributing increased earnings. This Group earned 70% of the Company's operating profits compared with 60% in 1973. However, 1974 was a year of rising inflation and the Group's operating earnings have been increased or inflated by "inventory profits".

We estimate that of the total earnings from the Distribution Group, approximately \$500,000 may be attributed to so-called "inventory profits".

Our major thrust in 1974 has been the entry of Fleck Bros. into the growing Alberta market. Fleck Bros. has been established in British Columbia for over 67 years, with a reputation second to none; their expertise has been utilized in enlarged premises in Edmonton and an 18,000 square foot branch and warehouse will be opened in Calgary shortly. Mr. Ralph Yetman, previously Marketing Manager for Fleck, has been appointed General Manager — Alberta to head up the expansion.

Gough & Company Ltd., in spite of an electricians' strike in British Columbia, maintained a consistent growth pattern and will be opening a new counter and warehouse operation at Williams Lake, British Columbia this February.

Vallance Brown and Northern Canada Supply both achieved record earnings with a particularly strong performance from the Steel Service Centre in Hamilton, Ontario. The capacity of Vallance Brown's Sarnia Branch was increased by 50% during the year.

The Minority Shareholders of Vallance Brown, who are employees, have elected to sell their common

shares to Steetley Industries under an agreement made in 1968. In the near future, therefore, Vallance Brown will become a wholly owned subsidiary.

We are continuing our policy of decentralized responsibilities with emphasis on the individual. In this regard a new profit centre system will be introduced in 1975.

Wholesale Distribution in Canada is a growth market and our long term plans are patterned accordingly.

Mills Steel Products Limited

Real growth was achieved for the fourth successive year through a number of progressive and aggressive programmes.

The Edmonton Branch, opened only last year, was enlarged and broke even in its first full year of operations. In addition, a second Alberta branch at Calgary was operational by mid-year and Mills is now solidly established in this growing market.

Industrial Fasteners, one of the original products of Mills, has made a declining contribution to profitability over the last few years and was completely phased out before the year end, with no loss on disposal.

Mills is strongly orientated to the construction market and in spite of lower housing starts we are forecasting further real growth for 1975. We are constantly seeking new and improved products coupled with the development of automated machinery by our own personnel.

DIVIDENDS

Regular quarterly dividends totalling 57¢ per share were paid during the year, with a dividend of 15¢ per share being declared for the first quarter of 1975.

BOARD OF DIRECTORS AND MANAGEMENT

Mr. N. M. Peech will not be standing for re-election as a Director at the Annual Meeting of Shareholders and it is also with regret that we announce his retirement as Chairman of the Board.

Mr. Peech joined the Company as Chairman of the Board in March 1953 when The Steetley Company Limited first came to Canada and the Company has grown and prospered under his leadership. During the last 22 years, sales have risen from under \$4,000,000 to over \$76,000,000 and earnings before tax from \$667,000 to \$6,669,000. Earnings per share have risen correspondingly from 30¢ to \$3.72.

Following Mr. Peech's retirement, the Board has decided that Mr. Jack Laird, at present Vice Chairman of the Company, should be appointed Chairman of the Board, Mr. John S. Spearing, President and Chief Executive Officer and Mr. Peter Roberts will be nominated as a Director of the Company.

During the year Mr. Harry Smith was appointed a Director of the Company and his wise counsel is of great value to the Board.

Mr. D. H. Henderson who has been employed with the Company in a number of management positions over the last 49 years, latterly as Vice Chairman of the Board, retired from that position following the Annual General Meeting of Shareholders in March 1974. We wish him many years of happy retirement, but are pleased that his wise counsel as a Director will still be available to the Company.

Two senior promotions were made during the year — Mr. John Niven as Vice President and General Manager of Gough & Company Ltd., and Mr. George Lynch as Vice President — Manufacturing, of Mills Steel Products Limited.

Mr. David Foy joined the Company as Corporate Personnel Manager in October 1974 to direct this important Department as Steetley now has over 1,000 employees across Canada.

GOVERNMENT AND BUSINESS

Our ability to enlarge our business in Canada by acquisition may be influenced by the Foreign Investment Review Act passed by the Parliament of Canada. However, we believe we have a sufficient basis in our existing businesses to continue our programme of growth.

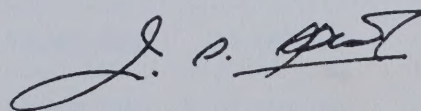
PROSPECTS

1975 will be a challenging year. We are fortunate to be in a strong financial position with adequate cash resources to face the future.

We are presently experiencing some softness in the market, coupled with tightening margins, particularly in British Columbia with a depressed lumber and mining industry. However, the long term view is encouraging as Canada is blessed with abundant natural resources and an expanding economy. Our management is optimistic but prepared to face business conditions as they exist in their own particular areas.

Steetley employees are dedicated and hardworking and we wish to express a sincere "thank you" to all who have contributed to this year's good results. We have benefitted from the support and confidence of our customers and suppliers throughout the year.

On behalf of the Board of Directors,



Hamilton, Ontario.
February 24, 1975.

J. S. Spearing
President



Steelley Industries Limited and Subsidiaries

Consolidated Balance Sheet as at December 31

ASSETS

	1974	1973
Current Assets		
Cash and bank term deposits	\$ 546,391	\$ 221,319
Accounts receivable	12,563,015	10,589,364
Accounts receivable — Parent company	59,561	44,512
Inventories — at the lower of cost or net realizable value	12,940,749	10,695,298
Prepaid expenses	100,907	91,555
	<u>26,210,623</u>	<u>21,642,048</u>
 Deferred Charges and Other Assets		
Investment in National Slag Limited shares — at cost	12,500	12,500
Scaffold equipment — at cost less amounts written off	652,202	331,961
Cash surrender value of life insurance	108,032	101,138
Mortgages receivable	32,120	148,350
	<u>804,854</u>	<u>593,949</u>
 Fixed Assets (Note 2)	 8,914,258	 5,113,469
	<u>\$ 35,929,735</u>	<u>\$ 27,349,466</u>

SIGNED ON BEHALF OF THE BOARD — J. S. Spearing, *Director*; D. H. Henderson, *Director*

LIABILITIES AND SHAREHOLDERS' EQUITY

	1974	1973
Current Liabilities		
Bank advances	\$ 2,221,677	\$ 4,147,301
Accounts payable and accrued liabilities	6,543,706	5,799,089
Loan payable — Parent company	—	800,000
Income and other taxes	1,420,065	1,117,036
	<u>10,185,448</u>	<u>11,863,426</u>
 Other Liabilities		
Deferred income taxes	872,200	312,300
Long-term debt (Note 3)	8,160,794	1,511,498
Minority interest in net assets of subsidiary company	453,805	398,365
	<u>9,486,799</u>	<u>2,222,163</u>
 Shareholders' Equity		
CAPITAL STOCK		
Authorized		
5,000 6% Cumulative redeemable (at \$105) sinking		
fund shares of a par value of \$100 each		
1,000,000 Common shares without nominal or par value		
Issued		
950,000 Common shares	95,000	95,000
RETAINED EARNINGS	16,162,488	13,168,877
	<u>16,257,488</u>	<u>13,263,877</u>
	<u>\$ 35,929,735</u>	<u>\$ 27,349,466</u>



Steelley Industries Limited and Subsidiaries

Consolidated Statement of Earnings and Retained Earnings

for the years ended December 31

	1974	1973
Sales (Note 6)	\$ 76,396,858	\$ 60,913,673
Earnings from operations before the following charges:	7,415,327	5,024,221
Depreciation	950,637	877,111
Depletion	31,140	28,064
	981,777	905,175
Earnings from operations	6,433,550	4,119,046
Investment income	235,756	211,599
Earnings before taxes on income and minority shareholders' interest	6,669,306	4,330,645
Taxes on income	3,284,000	2,048,600
	3,385,306	2,282,045
Minority shareholders' interest	112,464	62,475
Net Earnings before Extraordinary Items	3,272,842	2,219,570
Extraordinary Items (Note 4)	262,269	—
Net Earnings for the Year (Note 6)	3,535,111	2,219,570
Retained Earnings — Beginning of Year	13,168,877	11,364,995
Excess of book value of shares purchased over cost	—	11,812
	16,703,988	13,596,377
Dividends — Common	541,500	427,500
Retained Earnings — End of Year	\$ 16,162,488	\$ 13,168,877

Steetley Industries Limited and Subsidiaries

Consolidated Statement of Source and Use of Working Capital

for the years ended December 31

	1974	1973
Source of Working Capital		
Net earnings before extraordinary items	\$ 3,272,842	\$ 2,219,570
Charges not requiring cash outlay —		
Gain on sale of assets	(282,494)	(15,714)
Depreciation and depletion	981,777	905,175
Deferred income taxes	559,900	44,800
Increase in minority interest	55,440	(5,500)
	<hr/> 4,587,465	<hr/> 3,148,331
Extraordinary items	262,269	—
Decrease in mortgages receivable	116,230	1,220
Proceeds on disposal of fixed assets	438,205	105,024
Increase in mortgage payable	—	168,998
Proceeds on issue of debentures	8,000,000	—
	<hr/> 13,404,169	<hr/> 3,423,573
Use of Working Capital		
Payment of bank loan	1,325,000	175,000
Purchase of shares of subsidiaries	—	849,515
Purchase of fixed assets	4,775,227	905,196
Purchase of fixed assets of a subsidiary	—	496,335
Dividends paid	541,500	427,500
Net additions to scaffold equipment	483,291	117,623
Decrease in mortgages payable	25,704	—
Increase in cash surrender value of life insurance	6,894	7,419
	<hr/> 7,157,616	<hr/> 2,978,588
Increase in Working Capital	<hr/> \$ 6,246,553	<hr/> \$ 444,985
Working Capital — Beginning of Year	<hr/> \$ 9,778,622	<hr/> \$ 8,472,310
Working capital purchased	—	861,327
	<hr/> 9,778,622	<hr/> 9,333,637
Increase in working capital	6,246,553	444,985
Working Capital — End of Year	<hr/> \$ 16,025,175	<hr/> \$ 9,778,622



Steelley Industries Limited and Subsidiaries

Notes to the Consolidated Financial Statements

for the year ended December 31, 1974

1. Basis of Consolidation

The consolidated financial statements include the accounts of the company and its subsidiaries.

2. Fixed Assets

		1974			1973
	Cost	Accumulated Depletion	Accumulated Depreciation	Net	Net
Land	\$ 484,237	\$ —	\$ —	\$ 484,237	\$ 496,270
Buildings	2,869,683	—	1,139,270	1,730,413	1,782,169
Plant and equipment	13,733,092	—	7,478,550	6,254,542	2,340,805
Leasehold improvements	106,185	—	61,748	44,437	25,735
	<u>16,708,960</u>	<u>—</u>	<u>8,679,568</u>	<u>8,029,392</u>	<u>4,148,709</u>
Stone quarries	1,202,773	802,144	—	400,629	468,490
	<u>\$18,395,970</u>	<u>\$802,144</u>	<u>\$8,679,568</u>	<u>\$8,914,258</u>	<u>\$5,113,469</u>

3. Long-term Debt

Bank loan		1974	1973
Mortgages payable		\$ —	\$1,325,000
12% Sinking fund debentures Series A due December 16, 1994 to be retired by principal deposits per annum as follows:		160,794	186,498
1977 — 1983	\$350,000		
1984 — 1988	450,000		
1989 — 1993	550,000	8,000,000	—
		<u>\$8,160,794</u>	<u>\$1,511,498</u>

4. Extraordinary Items

Gain on sale of properties net of income tax of \$29,000	\$252,788
Proceeds of life insurance policy	150,000
Debenture issue expenses, net of income tax of \$75,500	(140,519)
	<u>\$262,269</u>

5. Contingent Liabilities

The company is contingently liable as guarantor of loans to employees of a subsidiary aggregating \$124,882.

6. Statutory Information

(a) Sales by major business classifications are as follows:

	1974	1973
Distribution	\$68,421,043	\$54,402,685
Minerals	7,975,815	6,510,988
	<u>\$76,396,858</u>	<u>\$60,913,673</u>

(b) Remuneration of directors and executive officers for the year was \$262,276 (1973 — \$205,600).

Notes to the Consolidated Financial Statements (cont'd)

(Note 6 continued)

(c) Interest on long-term debt for the year was \$139,090 (1973 — \$164,838).

(d) Earnings Per Common Share	1974	1973
Before Extraordinary Items	\$3.45	\$2.34
Extraordinary Items	.27	—
Including Extraordinary Items	<u>\$3.72</u>	<u>\$2.34</u>

7. Subsequent Event

In accordance with the terms of an agreement dated April 19, 1968 the minority shareholders of a subsidiary company, Vallance, Brown & Co. Limited, have decided to sell their shares to another subsidiary for a consideration totalling \$464,544.

Auditors' Report

COOPERS & LYBRAND

CHARTERED ACCOUNTANTS

OFFICES THROUGHOUT CANADA
AND IN PRINCIPAL AREAS
OF THE WORLD

TELEPHONE (416) 525-0002
105 MAIN STREET EAST
HAMILTON, ONTARIO, CANADA
L8N 1G6

To The Shareholders,
Steetley Industries Limited

We have examined the consolidated balance sheet of Steetley Industries Limited and subsidiaries as at December 31, 1974 and the consolidated statements of earnings and retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and the source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

January 28, 1975



Steetley Industries Limited and Subsidiaries

Statistical Summary

Dollars in thousands except per share statistics

	1974	1973	1972	1971	1970	1969	1968	1967
Operating Results								
Sales	\$ 76,397	60,914	43,734	37,660	19,786	15,881	14,052	6,298
Depreciation & Depletion	982	905	874	760	569	483	531	541
Earnings before Taxes	\$ 6,669	4,330	2,619	2,270	1,719	1,277	1,738	983
Taxes on Income	\$ 3,284	2,049	1,124	1,039	829	625	904	441
Minority Interest	\$ 112	62	38	24	37	38	37	—
Net Earnings								
Before Extraordinary Items	\$ 3,273	2,219	1,457	1,207	853	614	797	542
Extraordinary Items	\$ 262	—	—	—	—	—	—	—
Net Earnings	\$ 3,535	2,219	1,457	1,207	853	614	797	542
Financial Position								
Working Capital	\$ 16,025	9,779	8,472	7,983	7,690	5,767	5,473	4,472
Property, Plant & Equipment	\$ 8,914	5,113	4,623	4,315	3,507	2,981	2,864	2,685
Other Assets	\$ 27,016	22,236	17,733	15,669	12,079	8,199	8,363	5,419
Total Assets	\$ 35,930	27,349	22,356	19,984	15,586	11,180	11,227	8,104
Long Term & Other Liabilities	\$ 9,487	2,222	2,189	2,438	2,526	674	667	90
Shareholders' Equity	\$ 16,257	13,264	11,460	10,345	9,144	8,526	8,126	7,348
Per Share								
Net Income	\$ 3.72	2.34	1.53	1.27	.90	.65	.84	.57
Dividends	\$.57	.45	.36	.29	.24	.24	.24	.24
Book Value	\$ 17.11	13.96	12.06	10.89	9.63	8.97	8.55	7.73

